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LINES

Insurance News & Information

THE TENNESSEE DEPARTMENT OF COMMERCE & INSURANCE

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— Need Your Input —

Please let us know your thoughts about this newsletter and any input or thoughts you may have for future editions.

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Greetings from the Commissioner

It has been three months since my appointment as Commissioner-hard to believe so much time has passed! From my work with the Municipal Technical Advisory Service (MTAS) at the University of Tennessee, to my years with Metropolitan Nashville Government and my time in private practice, the public sector has long been a passion and focus of my professional life. It is good to be back!

My appointment by the Governor is truly an honor. I am proud to serve the administration and the people of Tennessee. As a member of the Governor's cabinet, I look forward to working with the other commissioners, some of whom I have had the pleasure of working with before.

Serving the consumer is a responsibility I take seriously. I have many years of regulatory experience. I will use this knowledge to make continued improvements in our business practices. I have an outstanding and committed group of professionals working at the department. Their expertise and thoughtful approach to regulating commerce and insurance encourages a vibrant, competitive insurance market, benefitting the consumer and industry alike.

I believe in an "open door" policy for this department. Your questions, concerns, input and observations are welcome and wanted. I look forward to meeting and working with the insurance agents and companies doing business in Tennessee.

Best Regards,

Leslie A. Newman

Commissioner of the Department of Commerce and Insurance



DEPARTMENT OF COMMERCE AND INSURANCE

Fraud Investigations Section Has a New Director and Additional Investigators

In the previous years the responsibility for the investigation of insurance fraud occurring within our State has been vested with the Consumer Insurance Services Section. Recently, a new section has been added to alleviate the strain on the Consumer Insurance Services Section for investigations of fraudulent acts committed by insurance brokers, producers and companies. The staffing of the Fraud Investigations Section is an important step for the State of Tennessee to move forward in its quest to decrease fraud and enable consumers, insurance producers

and insurance companies to gain more confidence in the overall operation of the Department.

Several new employees comprise the organizational structure of Fraud Investigations. Judith Nash has been selected as the Director. She is a Certified Public Accountant and a former Special Agent with the Internal Revenue Service Criminal Investigation Division. She managed the Memphis

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CONSUMER CORNER:

FLOOD INSURANCE

As Spring Rains Approach, Flood Insurance Should be Considered.

The standard homeowners insurance policy does not cover flood damage.

What is a flood?

The National Flood Insurance Program (NFIP) defines flood to be a general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is the policyholder's property) from: overflow of inland or tidal waters, unusual and rapid accumulation or runoff of surface waters from any source, mudflow, or collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels.

What is flood insurance?

Flood insurance is a special policy that is federally backed by the NFIP.

You may buy flood insurance that covers up to \$250,000 for flood damage to your home. A standard flood policy will cover structural damage to your home, including damage to your furnace, water heater, air conditioner, floor surfaces (carpeting and tile) and debris clean up.

For an additional premium, you also may buy flood coverage for up to



\$100,000 of damage to the contents of your home due to a flood.

Coverage is available up to \$500,000 for non-residential buildings and their contents.

How much does flood insurance cost?

According to the Federal Emergency Management Agency (FEMA), the average flood insurance policy costs a little more than \$400 a year for about \$100,000 of coverage. The actual cost to you will depend upon where you live and the amount of coverage you choose.

How Can I Buy Flood Insurance?

You can buy NFIP flood insurance directly from your property and casualty insurance agent or insurance company if your community participates in the NFIP. You can find out if your community participates by visiting the following NFIP Web link: <http://www.fema.gov/fema/csb.shtm>.

Your insurance agent or insurance company also can confirm whether flood insurance is available to you and what it would cost.

Plan Ahead:

It is very important to plan ahead. A flood insurance policy will not go into effect until 30 days after you buy the policy.

Other Things to Know:

According to FEMA, between 20 and 25 percent of flood claims occur in medium or low risk flood areas.

You can buy flood insurance for your home or business regardless of whether the property is in or out of a floodplain, as long as the property is located in a participating community.

You can obtain more information about flood insurance at the NFIP Web site at www.fema.gov/nfip. ■

Consumer Corner Contact Information:

Director for Consumer Insurance Services: Vickie Trice
To file a complaint, please call 1-800-342-4029 or email cis.complaints@state.tn.us

The Consumer Insurance Services Section exists to serve all consumers protected by an insurance product in Tennessee. We're here to help you protect your rights and when necessary, mediate complaints against insurers. We can offer valuable resources to help you: evaluate and choose the right insurance product, check on agents, companies and products, and to troubleshoot problems. ■

DISCIPLINARY ACTIONS

TDCI Disciplinary Actions Against Insurance Agents/Producers

James Paul Carroll, Jr. (732272)
Nashville, TN - Suspension for five (5) years and Order to pay civil penalty of One Thousand Dollars (\$1,000) was final December 18, 2006, for using fraudulent and dishonest practices and demonstrating untrustworthiness by falsely and fraudulently back-dating and signing his own application for motor vehicle insurance in an effort to obtain coverage for his theft loss that had already occurred and further demonstrating untrustworthiness by claiming a homeowner discount to which he knew he was not entitled.

Ronald Greene (015869)
Jackson, TN - Revocation on March 29, 2007, for selling unregistered securities and acting as an unregistered broker-dealer.

Obed W. Kirkpatrick, Sr. (902085)
Franklin, TN - Revocation on February 15, 2007, for providing incorrect, misleading, incomplete, or materially untrue information on the license application.

John B. Maize, Jr. (304648)
Germantown, TN - Revocation on February 7, 2007, for failure to answer

three subpoenas issued by the Commissioner.

Dennis W. May (305070)
Jackson, TN - Revocation on March 21, 2007, for selling unregistered securities and acting as an unregistered broker-dealer.

Phillip Arthur Parimore (711177)
Cordova, TN - Revocation on March 5, 2007, for having his license revoked in Indiana, Kansas, Ohio, Mississippi and for failing to report those actions to the Commissioner within thirty days.

Robert A. White (761697)
Lebanon, TN - Revocation on March 25, 2007, for failure to answer a subpoena issued by the Commissioner.

TDCI Disciplinary Actions Against Insurance Companies

Guarantee Title Insurance Company
St. Louis, MO - Order to pay civil penalty in the amount of Five Hundred Dollars (\$500) was final December 20, 2006 for failure to timely file with the Commissioner the company's financial, statistical, and loss data.

Status of Proposed Rules

Life Insurance Advertising (0780-1-33)
A hearing on the proposed rules was held on March 20, 2007.

Life Insurance Illustrations (0780-1-15)
A hearing on the proposed rules was held on March 20, 2007.

Suitability in Annuity Transactions (0780-1-86) A hearing on the proposed rules was held on March 20, 2007.

Sale, Issuance and Delivery of Both Individuals and Group Variable Annuity Contracts and Variable Life Contracts (0780-1-17) A hearing on the proposed rules was held on March 20, 2007.

Coordination of Benefits (0780-1-53)
A hearing on the proposed rules was held on March 20, 2007.

Replacement of Life Insurance Policies (0780-1-24) A hearing on the proposed rules was held on March 20, 2007.

Variable Life Insurance (0780-1-16) A hearing on the proposed rules was held on March 20, 2007. ■

YOU CAN NOW RENEW YOUR LICENSE ONLINE

If you have questions/changes concerning your agent license, please visit www.state.tn.us/commerce and check out our Agent Licensing Resource page. This office is responsible for the licensing and regulation of insurance agents. Approximately 106,000 agents are licensed to do business in Tennessee.

A • R • T • I • C • L • E • S

National Association of Insurance Commissioners Working Group Takes Step Toward Multi-State Catastrophe Fund

Following a recent meeting of the National Association of Insurance Commissioners (NAIC) Property and Casualty Insurance Committee's Catastrophe Insurance Working Group, an agreement has been reached to evaluate modeling for multi-state funding of catastrophes such as hurricanes or earthquakes. The agreement came out of a meeting to discuss catastrophe preparedness and the potential development of a multi-state catastrophe fund.

During the two-day meeting the members heard from catastrophe modelers and catastrophe fund managers on modeling issues, including coverage for a wide range of perils within the scope of the catastrophe fund. Representatives from the University of Florida and the Federal Alliance for Safe Homes briefed the Working Group on the research efforts and grass-roots education, respectively, to strengthen building codes and improve residential structures to better withstand hurricane and other storm-related effects. The Members saw a demonstration of a wind tower used to gather thousands of discrete readings during hurricanes and other storms.

Following the testimony, Members and interested parties held interactive,

facilitated discussions on what perils to include in the multi-state fund, as well as what type of governance structure is appropriate for such a fund.

The group agreed to evaluate the modeling of a multi-state fund for a single peril such as a hurricane or earthquake in order to capture the geographic and temporal advantages of pooling multi-state risk. The group also agreed to explore the use of an interstate compact as a vehicle for a multi-state catastrophe funding mechanism. The Catastrophe Insurance Working Group met at the NAIC's 2007 Spring National Meeting in New York to discuss specifics of its developing proposal. ■

Offices of Research and Education Accountability (OREA) conducted an analysis of Tennessee's Motor Vehicle Liability Insurance Limits in 2006

Issue Overview

Are Tennessee's requirements for motor vehicle insurance coverage sufficient, or should the minimum requirement be increased to provide adequate insurance coverage and financial protection for Tennessee motorists?

According to a recent report by the OREA, an increase does not appear necessary given current circumstances. Tennessee's limits are comparable to or greater than most other states. Despite increases in the cost of health care and motor vehicles since the limits were established in 1989, the limited information available indicates that the

vast majority of claims appear to be well within the minimum limits. Increasing the limits would increase the cost of insurance especially for higher risk drivers, who already pay much higher rates. Increased costs could result in an even higher

uninsured motorist rate in Tennessee (21.2 percent in 2004), which is the sixth highest in the nation.

You may view the entire briefing at <http://comptroller.state.tn.us/cpdivorea.htm> ■



Fraud Investigations Section ...cont.

office for over 17 years and comes to the State of Tennessee with many years of experience in the fraud area. Clifford Hargrove has been selected as the Manager of the section. He is also a Certified Public Accountant and his background is Federal law enforcement as well. He was a Special Agent with IRS Criminal Investigation for over 25 years.

At the present time there are two Fraud Investigators with plans to hire three additional Investigators in the near future. Robert Heisse joined Fraud Investigations in April 2006. He has been with the State of Tennessee for 11 years and came to this section from the Securities Division. Robert comes not only with knowledge about fraud but he is intimately familiar with State government. Clayton Cooper who is an investigator also has a wealth of fraud experience as well as managerial experience. He retired from the position of Special Agent in Charge of IRS Criminal Investigation Division in Nashville. We are very pleased to have garnered staff for these positions with this range of experience and expertise. ■

TDCI Announces Assistant Commissioner for Insurance

We are pleased to announce that **Larry C. Knight Jr.** has been appointed as the Assistant Commissioner for Insurance. Larry has been employed within the Division of Insurance since 1993, and served as the Assistant Commissioner under Commissioner Flowers. Please join us in congratulating Larry on his reappointment.

TDCI Announces New Director

The Department has hired **Louise Booth** as the new Analysis Director. Louise joins us after 3 years as a contractor with RSM MCGladrey, where she worked on regulatory examinations for a number of states. Prior to joining RSM she worked in banking, primarily in financial and operational roles. She is also a CPA and recently achieved certification as a CFE. *Welcome aboard Louise!*

FOR RECENT COMPANY RATE FILINGS INFORMATION

Go to:

www.state.tn.us/commerce/insurance/consumerRes.html

For recent bulletins released by the
Insurance Division please visit:

<http://state.tn.us/commerce/insurance/bulletins.html>

We are updating our website!

The Department of Commerce and
Insurance is overhauling their website.

Stay tuned for a more streamlined,
user- friendly version.